

June 2005

DLB-05-12

Subject: Interest Rates for Direct Loan Program Loans for the Period July 1, 2005 through June 30, 2006

Dear Partner:

This bulletin provides the new interest rates, which will be in effect for the Direct Loan Program from July 1, 2005 through June 30, 2006.

Attached are charts that show the new interest rates for Direct Subsidized Loans, Direct Unsubsidized Loans, Direct Subsidized Consolidation Loans, Direct Unsubsidized Consolidation Loans, Direct PLUS Loans, and Direct PLUS Consolidation Loans. The charts also show how the new interest rates were determined using either the 91-day Treasury bill rate or the weekly average of a 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System and the appropriate add-on percentages.

The interest rates are based on the interest rate formulas given by statutory and regulatory authority defined in Section 455(b) of the Higher Education Act of 1965, as amended (HEA). You can find the regulations for interest rate formulas for student, parent, and consolidation loans at 34 CFR 685.202(a).

- The interest rates for all subsidized and unsubsidized loans, and for PLUS loans first disbursed *on or after* July 1, 1998, are the bond equivalent rate of 91-day Treasury bills sold at the final auction before June 1 plus an add-on percentage. The rate for 91-day Treasury bills auctioned on May 31, 2005 was 2.998 percent, which rounds to 3.00 percent.
- The interest rates for all PLUS loans first disbursed *before* July 1, 1998, are the weekly average of a 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System for the last calendar week ending on or before June 26 and the appropriate add-on percentage of 3.1 percent. On June 27, 2005, the weekly average of the 1-year constant maturity Treasury yield was 3.40 percent.

Thank you for your ongoing partnership in the Direct Loan Program.

Sincerely,

Bill Leith  
General Manager, Program Operations Channel

Attachment